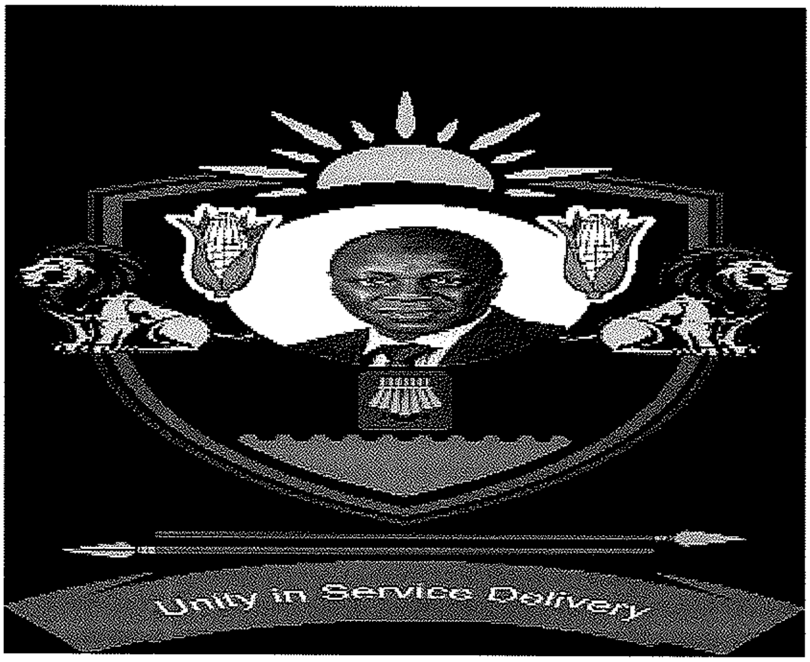

Collins Chabane Local Municipality
(Registration number LIM345)
Financial statements
for the year ended June 30, 2018

General Information

Nature of business and principal activities	Providing municipal services and maintaining the best interest of the local community.
Grading of local authority	3
Accounting Officer	TC Ngobeni
Chief Finance Officer (CFO)	E Makamu
Registered office	Collins Chabane Municipal Offices 125 Hospital Street Malamulele 0982
Business address	Collins Chabane Municipal Offices 125 Hospital Street Malamulele 0982
Postal address	Private Bag X9271 Malamulele 0982
Bankers	First National Bank of South Africa
Auditors	Auditor General South Africa (AGSA)

General Information

Website	www.collinschabane.gov.za

General Information

Mayor	Cllr Bila TJ
Speaker	Cllr Lebea ME
Chief whip	Cllr Chauke MG
Members of the Executive Committee	
	Cllr Maluleke SG
	Cllr Mashimbye FP
	Cllr Mutele TM
	Cllr Mavikane SX
	Cllr Mukhaha AJ
	Cllr Chauke HG
	Cllr Fungheni MC
	Cllr Baloyi DL
	Cllr Mazibuko MP
Chairperson of the Section 79 Committee	
Finance Committee	Cllr Moyo M.T
Cooperate Service's	Cllr Mabasa J
Technical Service's	Cllr Ndove HD
Community Service	Cllr Mudau R
Education Sports Arts & Culture	Cllr Mahlangu D
Ethics Committee	Cllr Shangukani J
Planning & Local Economic Development	Cllr Mabasa R
Special Programme	Cllr Hlogwane G
Legislation Traditional Affairs	Cllr Rekhotso SM
Rules	Cllr Mulaudzi T
Municipal Public Accounts Committee	Cllr Mudau S
Woman Caucus	Cllr Miyambo Z
Other members of Municipal Council	Cllr Shivambu S
	Cllr Mabasa D
	Cllr Khoza TG
	Cllr Matamela MS
	Cllr Masangu GD
	Cllr Maluleke M
	Cllr Chauke TR
	Cllr Maluleke ET
	Cllr Simango MR
	Cllr Makhubele HT
	Cllr Mabasa KK
	Cllr Ngobeni MR
	Cllr Baloyi HR
	Cllr Rivombo KE
	Cllr Sunduza ZW
	Cllr Chabangu TC
	Cllr Khosa HJ
	Cllr Mabunda MC
	Cllr Chauke NS
	Cllr Munyai N
	Cllr Mukhomi VN
	Cllr Maluleke MP
	Cllr Ngobeni NE
	Cllr Mahlale S
	Cllr Mathonsi NP
	Cllr Sambo TM
	Cllr Sithole MW
	Cllr Chavani PJ
	Cllr Mashakeni KE
	Cllr Madavhu FF
	Cllr Ndzovela NG
	Cllr Nkuna DT
	Cllr Baloyi MJ
	Cllr Baloyi NJ

General Information

Cllr Baloyi OC
Cllr Vukeya HM
Cllr Machovani RG
Cllr Tshiredo CE
Cllr Hlabangwani TL
Cllr Radzivhoni CM
Cllr Masia TM
Cllr Mathoma MP
Cllr Rikhotso GM
Cllr Thovhakale MS
Cllr Ngobeni N
Cllr Shiluvane TE
Cllr Sambo ZW
Cllr Manganyi TF

Shared Audit committee with Vhembe District Municipality

Lambani NE
Tshikhudo F
Mbewu B

Index

The reports and statements set out below comprise the financial statements presented to the audit committee:

Accounting Officer's Responsibilities and Approval

The accounting officers are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officers to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officers acknowledge that the ultimately responsible for the system of internal financial control established by the municipality place considerable importance on maintaining a strong control environment. To enable the accounting officers to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officers are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officers have reviewed the municipality's cash flow forecast for the year to June 30, 2019 and, in the light of this review and the current financial position, is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future. The accounting officer draws attention to the fact that the municipality invested money with VBS Mutual bank amounting to R120 million, the recoverability of which has become doubtful as at the end of the financial year because the bank was placed under curatorship. However, this has not affected the ability of the municipality to remain in operational existenceas the money was not committed to any specific projects or programmes.

The municipality is dependent on the inter governmental grants and transfers as well as rates and service charges for continued funding of its operations. The financial statements are prepared on the basis that the municipality is a going concern and that the Municipality has neither the intention nor the need to liquidate or curtail materially the scale of its operations.

The financial statements set out on pages 7 to 61, which have been prepared on the going concern basis, were approved and signed on behalf of Council on August 31, 2018 by:

Accounting Officer
T.C Ngobeni

Accounting Officer's Report

The accounting officer submits her report for the year ended June 30, 2018.

1. Incorporation

The municipality was incorporated on August 10, 2016 and commenced operations on the same day.

The Municipality was established in terms of section 12 of the Municipal Structures Act, No. 117 of 1998 and is a category B municipality. It has consists of 71 elected councilors and 36 wards.

The municipality first council sitting was on the 17 August 2016, and during the year the municipality embarked on a public participation and other processes for naming of the Municipality.

The name Collins Chabane Local Municipality was approved and gazetted during the 2017/18 financial year.

2. Going concern

We draw attention to the fact that at June 30, 2018, the municipality had an accumulated surplus (deficit) of R 817,398,944 and that the municipality's total assets exceed its liabilities by R 823,341,078.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments that might arise in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to ensure there's adequate funding for the ongoing operations of the municipality and that the sound financial management will remain in force for as long as it takes to restore the solvency of the municipality.

3. Subsequent events

Adjusting Event
Council noted the terms of reference for the forensic audit, which will be conducted on matters relating to investments by municipalities with the VBS Mutual bank which is currently under curatorship.

4. Accounting policies

The financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

Statement of Financial Position as at June 30, 2018

Figures in Rand	Note(s)	2018	2017 Restated*
Assets			
Current Assets			
Inventories	9	962,471	737,959
Receivables from exchange transactions	10	1,453,742	934,535
Receivables from non-exchange transactions	11	351,405	1,951,764
VAT receivable	12	12,922,861	10,005,112
Sundry debtors	13	581,937	515,122
Other Consumer debtors		369,013	369,013
Cash and cash equivalents	14	248,119,468	186,333,026
		264,760,897	**200,846,531**
Non-Current Assets			
Investment property	4	10,258,000	10,258,000
Property, plant and equipment	5	492,180,564	370,255,995
Intangible assets	6	729,222	949,194
Other financial assets	7	122,410,521	-
		625,578,307	**381,463,189**
Total Assets		**890,339,204**	**582,309,720**
Liabilities			
Current Liabilities			
Finance lease obligation	15	489,622	602,775
Trade and other Payables	17	34,105,845	10,813,052
Payables from non - exchange transactions	18	-	696,769
Employee benefit obligations	8	3,492,898	1,112,368
Unspent conditional grants and receipts	16	28,909,761	38,939,290
		66,998,126	**52,164,254**
Non-Current Liabilities			
Finance lease obligation	15	325,591	212,438
Employee benefit obligations	8	5,616,545	5,863,547
		5,942,136	**6,075,985**
Total Liabilities		**72,940,262**	**58,240,239**
Net Assets		**817,398,942**	**524,069,481**
Accumulated surplus		817,398,944	524,069,483

* See Note 39 & 38

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	3,048,593	14,617,120
Rendering of services		962,251	[illegible]
Agency services		1,872,904	[illegible]
Licences and permits		4,861,170	[illegible]
Other income		1,827,606	942,668
Rental income		59,301	66,149
Interest earned on debtors		-	5,562,723
Interest income	22	12,508,136	5,461,172
Gains from transfer of functions between entities not under common control	34	8,172,494	326,080,912
Total revenue from exchange transactions		**33,312,455**	**358,108,388**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	15,931,110	7,165,474
Transfer revenue			
Government grants & subsidies	24	429,396,529	290,103,407
Total revenue from non-exchange transactions		**445,327,639**	**297,268,881**
Total revenue	19	**478,640,094**	**655,377,269**
Expenditure			
Employee related costs	25	(63,760,184)	(35,894,569)
Remuneration of councillors	26	(24,727,153)	(20,250,399)
Depreciation and amortisation	27	(14,130,131)	(9,732,410)
Debt Impairment	29	(15,073,358)	(29,248,156)
Contracted services	30	(30,804,753)	(9,225,918)
General Expenses	31	(34,478,670)	(24,500,806)
Repairs and maintenance		(2,336,383)	(2,455,528)
Total expenditure		**(185,310,632)**	**(131,307,786)**
Surplus for the 12 months		**293,329,462**	**524,069,483**

* See Note 39 & 38

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at July 1, 2016	-	-
Changes in net assets		
Surplus for the year	524,069,483	524,069,483
Total changes	524,069,483	524,069,483
Opening balance as previously reported	533,141,608	533,141,608
Adjustments		
Correction of errors	(9,072,126)	(9,072,126)
Restated* Balance at July 1, 2017 as restated*	**524,069,482**	**524,069,482**
Changes in net assets		
Surplus for the 12 months	293,329,462	293,329,462
Total changes	293,329,462	293,329,462
Balance at June 30, 2018	**817,398,944**	**817,398,944**

Note(s)

* See Note 39 & 38

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017 Restated*
Cash flows from operating activities			
Receipts			
Property rates		6,331,874	5,046,538
Service charges		3,048,593	8,417,120
Agency services		1,872,904	-
Rendering of Services		1,599,701	209,063
Licences and permits		4,861,170	10,629,753
Grants and subsidies		428,284,678	290,103,407
Interest income		12,508,136	10,505,366
		458,507,056	324,911,247
Payments			
Employee costs		(82,795,304)	(42,193,142)
Suppliers and other payments		(30,437,753)	(6,412,866)
General		(25,604,296)	(16,500,806)
Repairs and maintenance		(2,336,383)	(2,455,528)
		(141,173,736)	(67,562,342)
Net cash flows from operating activities	33	**317,333,320**	**257,348,905**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(127,662,286)	(70,731,232)
Purchase of other intangible assets	6	-	(1,099,860)
Net cash flows from investing activities		**(255,546,878)**	**(71,831,092)**
Cash flows from financing activities			
Finance lease payments		-	815,213
Net increase/(decrease) in cash and cash equivalents		**61,786,442**	**186,333,026**
Cash and cash equivalents at the beginning of the year		186,333,026	-
Cash and cash equivalents at the end of the year	14	**248,119,468**	**186,333,026**

* See Note 39 & 38

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	4,814,000	(2,441,552)	**2,372,448**	3,048,593	**676,145**	Note 43
Other income	8,012,000	(7,583,326)	**428,674**	962,251	**533,577**	
Agency services	1,200,000	-	**1,200,000**	3,700,510	**2,500,510**	
Licence Income	4,200,000	2,092,463	**6,292,463**	4,861,170	**(1,431,293)**	
Rental income	2,398,000	(2,398,000)	-	59,301	**59,301**	
Interest income	3,160,000	(1,407,225)	**1,752,775**	12,508,136	**10,755,361**	
Total revenue from exchange transactions	**23,784,000**	**(11,737,640)**	**12,046,360**	**25,139,961**	**13,093,601**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	11,000,000	602,943	**11,602,943**	15,931,110	**4,328,167**	
Transfer revenue						
Government grants & subsidies	309,752,000	5,135,008	**314,887,008**	429,396,529	**114,509,521**	
Capital transfers	106,615,000	(2,134,996)	**104,480,004**	-	**(104,480,004)**	
Fines, Penalties and Forfeits	100,000	(95,943)	**4,057**	-	**(4,057)**	
Total revenue from non-exchange transactions	**427,467,000**	**3,507,012**	**430,974,012**	**445,327,639**	**14,353,627**	
Total revenue	**451,251,000**	**(8,230,628)**	**443,020,372**	**470,467,600**	**27,447,228**	
Expenditure						
Personnel	(113,806,000)	47,150,411	**(66,655,589)**	(63,760,184)	**2,895,405**	
Remuneration of councillors	(30,098,000)	5,481,054	**(24,616,946)**	(24,727,153)	**(110,207)**	
Depreciation and amortisation	(38,000,000)	25,852,090	**(12,147,910)**	(14,130,131)	**(1,982,221)**	
Finance costs	(400,000)	400,000	-	-	-	
Debt Impairment	(15,257,000)	4,457,000	**(10,800,000)**	(15,073,358)	**(4,273,358)**	
Contracted Services	(18,858,000)	3,160,691	**(15,697,309)**	(30,804,753)	**(15,107,444)**	
Transfers and Subsidies	(3,000,000)	(3,000,000)	**(6,000,000)**	-	**6,000,000**	
Other materials	(5,042,000)	2,455,182	**(2,586,818)**	-	**2,586,818**	
General Expenses	(41,260,000)	(4,417,659)	**(45,677,659)**	(39,151,436)	**6,526,223**	
Total expenditure	**(265,721,000)**	**81,538,769**	**(184,182,231)**	**(187,647,015)**	**(3,464,784)**	
Surplus	**185,530,000**	**73,308,141**	**258,838,141**	**282,820,585**	**23,982,444**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**185,530,000**	**73,308,141**	**258,838,141**	**282,820,585**	**23,982,444**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	7,300,000	(6,361,000)	**939,000**	962,471	**23,471**	
Sundry debtors	4,000,000	18,456,000	**22,456,000**	13,856,203	**(8,599,797)**	
Consumer debtors - other	74,743,000	(70,207,588)	**4,535,412**	369,013	**(4,166,399)**	
Cash and cash equivalents	192,494,000	34,274,000	**226,768,000**	248,119,468	**21,351,468**	
	278,537,000	**(23,838,588)**	**254,698,412**	**263,307,155**	**8,608,743**	
Non-Current Assets						
Investment property	-	10,258,000	**10,258,000**	10,258,000	**-**	
Property, plant and equipment	423,485,000	353,369,854	**776,854,854**	492,180,564	**(284,674,290)**	
Intangible assets	90,000	729,200	**819,200**	729,222	**(89,978)**	
Investment - VBS	-	-	**-**	122,410,521	**122,410,521**	
	423,575,000	**364,357,054**	**787,932,054**	**625,578,307**	**(162,353,747)**	
Total Assets	**702,112,000**	**340,518,466**	**1,042,630,466**	**888,885,462**	**(153,745,004)**	
Liabilities						
Current Liabilities						
Trade and other Payables	38,000,000	(16,244,133)	**21,755,867**	34,595,468	**12,839,601**	
Employee benefit obligations	1,700,000	(87,000)	**1,613,000**	3,492,898	**1,879,898**	
Unspent conditional grants and receipts	-	-	**-**	28,909,761	**28,909,761**	
	39,700,000	**(16,331,133)**	**23,368,867**	**66,998,127**	**43,629,260**	
Non-Current Liabilities						
Employee benefit obligations	1,700,000	(493,656)	**1,206,344**	5,942,136	**4,735,792**	
Total Liabilities	**41,400,000**	**(16,824,789)**	**24,575,211**	**72,940,263**	**48,365,052**	
Net Assets	**660,712,000**	**357,343,255**	**1,018,055,255**	**815,945,199**	**(202,110,056)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	660,712,000	357,343,255	**1,018,055,255**	825,592,040	**(192,463,215)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates, penalties and collection charges	8,041,000	2,320,646	**10,361,646**	3,597,927	**(6,763,719)**	
Service charges	3,514,000	1,366,224	**4,880,224**	1,904,651	**(2,975,573)**	
Grant and subsidies	416,367,000	2,633,000	**419,000,000**	-	**(419,000,000)**	
Other receipts	12,580,000	-	**12,580,000**	4,568,853	**(8,011,147)**	
Interest on investment	2,600,000	1,752,775	**4,352,775**	5,461,172	**1,108,397**	
	443,102,000	**8,072,645**	**451,174,645**	**15,532,603**	**(435,642,042)**	
Payments						
Employee costs	(180,663,000)	41,471,952	**(139,191,048)**	(28,953,195)	**110,237,853**	
Remuneration of councillors	-	-	-	(20,250,399)	**(20,250,399)**	
Suppliers and other payments	(25,000,000)	-	**(25,000,000)**	-	**25,000,000**	
Finance charges	(330,000)	-	**(330,000)**	-	**330,000**	
Transfers and grants	(3,000,000)	(6,000,000)	**(9,000,000)**	-	**9,000,000**	
	(208,993,000)	**35,471,952**	**(173,521,048)**	**(49,203,594)**	**124,317,454**	
Net cash flows from operating activities	**234,109,000**	**43,544,597**	**277,653,597**	**(33,670,991)**	**(311,324,588)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(131,615,000)	(3,209,623)	**(134,824,623)**	-	**134,824,623**	
Net increase/(decrease) in cash and cash equivalents	102,494,000	40,334,974	**142,828,974**	(33,670,991)	**(176,499,965)**	
Cash and cash equivalents at the end of the year	**102,494,000**	**40,334,974**	**142,828,974**	**(33,670,991)**	**(176,499,965)**	
Reconciliation						

Significant variances are explained under note 49.

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

1.2 Going concern.

These financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Investment property.

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes. Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value. The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

Accounting Policies

1.1 Presentation currency (continued)

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on property, plant and equipment.

1.2 Going concern assumption

These financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Transfer of functions between entities not under common control

Definitions

An acquiree is the entity and/or the functions that the acquirer obtains control of in a transfer of functions.

An acquirer is the entity that obtains control of the acquiree or transferor.

Acquisition date is the date on which the acquirer obtains control of the acquiree.

Contingent consideration is usually, an obligation of the acquirer to transfer additional assets or a residual interest to the former owners of an acquiree as part of the exchange for control of the acquiree if specified future events occur or conditions are met. However, contingent consideration also may give the acquirer the right to the return of previously transferred consideration if specified conditions are met.

Control is the power to govern the financial and operating policies of another entity so as to obtain benefit from its activities.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential.

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A merger is the establishment of a new combined entity in which none of the former entities obtain control over any other and no acquirer can be identified.

Non-controlling interest is the interest in the net assets of a controlled entity not attributable, directly or indirectly, to a controlling entity.

Owners (for the purposes of this Standard), is used broadly to include holders of residual interests.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

Accounting Policies

1.3 Transfer of functions between entities not under common control (continued)

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring fun[illegible] between entities or into another entity.

The acquisition method

The municipality accounts for each transfer of functions between entities not under common control by applying the acquisition method.

Applying the acquisition method requires:
(a) identifying the acquirer;
(b) determining the acquisition date;
(c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
(d) recognising the difference between (c) and the consideration transferred to the seller.

Identifying the acquirer

For each transfer of functions between entities not under common control, one of the combining entities is identified as the acquirer.

The terms and conditions of a transfer of functions undertaken between entities not under common control are set out in a binding arrangement.

Determining the acquirer includes a consideration of, amongst other things, which of the combining entities initiated the transaction or event, the relative size of the combining entities, as well as whether the assets or revenue of one of the entities involved in the transaction or event significantly exceed those of the other entities. If no acquirer can be identified, the transaction or event is accounted for in terms of the Standard of GRAP on Mergers.

Determining the acquisition date

The acquirer identifies the acquisition date, which is the date on which it obtains control of the acquiree.

All relevant facts and circumstances are considered in identifying the transfer date.

Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred (if any)

The municipality as acquirer recognises the difference between the assets acquired and liabilities assumed and the consideration transferred (if any) as of the acquisition date in surplus or deficit. This difference is measured as the excess of (a) over (b) below:
(a) the aggregate of:
(i) the consideration transferred (if any) measured in accordance with this Standard, which generally requires acquisition-date fair value;
(ii) the amount of any non-controlling interest in the acquiree measured in accordance with this Standard; and
(iii) in a transfer of functions achieved in stages, the acquisition-date fair value of the entity as acquirer's previously held equity interest in the acquiree.
(b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with this Standard.

Subsequent measurement and accounting

In general, a municipality as acquirer subsequently measure and account for assets acquired, liabilities assumed or incurred and the residual interest issued in a transfer of functions in accordance with other applicable Standards of GRAP for those items, depending on their nature.

Accounting Policies

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The nature OR type of properties classified as held for strategic purposes are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the financial statements (see note).

Accounting Policies

1.4 Investment property (continued)

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment of land and building is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses in line with the valuation roll of the municipality.

Depreciation is calculated on the asset's depreciable amount, using the straight line method over useful lives of the asset. The components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated seperately. The annual depreciation rates are based on the following estimated average asset lives as per the MFMA - Local Government Capital Assets Management Guideline.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Accounting Policies

1.5 Property, plant and equipment (continued)

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life (years)
Boundary walls	Straight line	30
Buildings/ Building works	Straight line	30
Electrical supply	Straight line	30
Fencing	Straight line	20
On site paving	Straight line	20
Other external works	Straight line	20
Sewerage systems	Straight line	30
Water supply	Straight line	30
Bins and containers	Straight line	5-10
Computer equipment	Straight line	5-10
Furniture and fittings	Straight line	5-10
Motor vehicles	Straight line	5-15
Office equipment	Straight line	5-10
Plant and equipment	Straight line	5-15
Bridges	Straight line	30
Road furniture	Straight line	5-10
Road structures	Straight line	20-30
Storm water drainage	Straight line	20
Intangibles	Straight line	3-5
Flood lightning	Straight line	20
Street light	Straight line	25
Traffic lights	Straight line	20
Leased assets	Not fixed	Limited to the contract term

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Impairment.

The municipality tests for impairment where there is an indication that the asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable (recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount). and an impairment loss is charged to the Statement of Financial Performance. (Impairment loss of a valued asset is treated as a revaluation decrease).

De-recognition.

Accounting Policies

1.5 Property, plant and equipment (continued)

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note).

1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Subsequent measurement.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

1.6 Intangible assets (continued)

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life (years)
Licenses and franchises	Straight line	3-5
Computer software, other	Straight line	3-5
Other intangible assets	Straight line	3-5

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

De-recognition

Intangible assets are de-recognised when the asset is disposed of or when no future economic benefits or service potential are expected from its use. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sale proceeds and the carrying value and is recognised in the Statement of Financial Performance.he gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Accounting Policies

1.7 Financial instruments (continued)

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value; plus, (in the case of financial instruments not at fair value through profit or loss), transaction costs. The fair value of a financial instrument that is initially recognised is normally the transaction price, unless the fair value is evident from the observable market data. The municipality uses a discounted cash flow model which incorporates entity-specific variables to determine the fair value of financial instruments that are not traded in an active market. Differences may arise between the fair value initially recognised in (which in accordance with GRAP 104, is generally the transaction price) and the amount initially determined using the valuation technique. Any such differences are subsequently recognised in profit or loss only to the extent that they relate to a change in the factors (including time) that market participants would consider in setting the price.

Subsequent measurement

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation. The municipality classifies its financial assets into the following categories:
- loans and receivables; a
- fair value through profit and loss.

The classification depends on the purpose for which the financial asset is acquired, and is as follows: Loans and receivables are financial assets that are created by providing money, goods or services directly to a debtor. They are subsequently measured at amortised cost, using the effective interest rate method. Any adjustment is recorded in the Statement of Financial Performance in the period in which it arises.

Fair value through profit and loss financial assets include derivative financial instruments used by the Entity to manage its exposure to fluctuations in interest rates attached to certain of its external borrowings interest swap agreements. Any fair value adjustment is recorded in the Statement of Financial Performance in the period in which it arises. To the extent that a derivative instrument has a maturity period of longer than a year, the fair value of these instruments will be reflected as a noncurrent asset or liability, and is subsequently measured at fair value at Statement of Financial Position date.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discount) through the expected life of the financial asset, or, where appropriate a shorter period.

Trade and other receivables

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments.

An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

Cash includes cash on hand and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Accounting Policies

1.7 Financial instruments (continued)

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

Impairment

An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of Financial Performance.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the financial asset.

An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of Financial Performance.

Impairment of non-financial assets

An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of Financial Performance.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired or through the amortisation process.

1.8 Value Added Tax

Basis

The municipality accounts for Value Added Tax on cash basis.

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Accounting Policies

1.9 Leases (continued)

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de recognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. The aggregate benefit of incentives of operating lease are recognised as a reduction of rental expense on a straight-line basis over the term of the relevant lease.

Municipality as the lessee

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis.

The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the .

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Accounting Policies

1.10 Inventories (continued)

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

[Specify judgements made]

1.12 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.13 Employee benefits

Employee benefits are all forms of consideration given by an municipality in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an municipality's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Accounting Policies

1.13 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Accounting Policies

1.13 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.14 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Accounting Policies

1.14 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 36.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.15 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

1.15 Commitments (continued)

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners. Revenue shall be measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, VAT and other similar allowances. Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges

When the outcome of a transaction involving the rendering services can be estimated reliably, revenue associated with the transaction is recognised by the stage of completion of the transaction at the reporting date. The outcome of the transaction can be estimated reliably when the following are met:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- and the amount of the revenue can be measured reliably.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the number of refuse containers on each property, regardless of whether or not containers are emptied during the month.

Sale of goods

Revenue from the sale of goods shall be recognised when all the following conditions have been satisfied:
- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest

Interest shall be recognised on a time proportionate basis that takes into account the effective interest yield on the asset.

Agency services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement. The revenue is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Collection charges are recognised when incurred.

Accounting Policies

1.16 Revenue from exchange transactions (continued)

Interest

Interest is recognised, on a time proportionate basis that takes into account the effective interest rate method.

1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

1.18 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.19 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

Accounting Policies

1.20 Comparative figures

Items in the Annual Financial Statements are presented with their corresponding comparative figures for the previous financial period.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.21 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Irregular expenditure

Irrregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Accounting Policies

1.24 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 7/1/2017 to 6/30/2018.

The budget for the economic entity includes all the entities approved budgets under its control.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Municipality will provide explantion of +-10% variance on comparison of budget and actual amount

1.25 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its financial statements.

1.26 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

Accounting Policies

1.26 Events after reporting date (continued)

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Notes to the Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2018 or later periods:

Standard/ Interpretation:	Description	Effective date: Years beginning on or after
GRAP 20	Related Party	04/01/2019
GRAP 108	Effective date: Years beginning on or after	Expected impact:
GRAP 109	Effective date: Years beginning on or after	Expected impact:

3. Bins and containers

4. Investment property

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	10,258,000	-	10,258,000	10,258,000	-	10,258,000

Reconciliation of investment property - 2018

	Opening balance	Total
Investment property	10,258,000	10,258,000

Reconciliation of investment property - 2017

	Opening balance	Transfers received	Total
Investment property	-	10,258,000	10,258,000

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

The municipality has performed assessment of impairment as at 30 June 2018

Details of valuation

The effective date of the revaluations was Saturday, July 1, 2017. Revaluations were performed by an independent valuer, Mr Botha, of Messrs Botha and Rudd. Botha and Rudd are not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use.

For investment property, totaling R 10 258 000, where there was a lack of comparable market data, the valuation was based on discounted cash flows.

These assumptions are based on current market conditions.

5. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	8,949,440	-	8,949,440	8,949,440	-	8,949,440
Buildings	19,964,503	(1,727,642)	18,236,861	19,964,504	(813,745)	19,150,759
Plant and machinery	26,254,298	(3,117,167)	23,137,131	11,088,229	(964,546)	10,123,683
Furniture and fixtures	2,461,588	(452,658)	2,008,930	1,133,366	(188,249)	945,117
Motor vehicles	8,186,380	(683,997)	7,502,383	2,986,335	(204,637)	2,781,698
Office equipment	752,528	(155,096)	597,432	752,528	(45,676)	706,852
IT equipment	3,490,153	(1,121,369)	2,368,784	3,490,153	(393,596)	3,096,557
Community assets	43,780,716	(3,608,965)	40,171,751	43,780,716	(1,209,562)	42,571,154
Road infrastructure	194,973,345	(11,108,035)	183,865,310	141,791,339	(5,100,875)	136,690,464
Other equipment	137,376	(21,610)	115,766	137,376	(10,162)	127,214
Road infrastructure	199,140,151	-	199,140,151	138,181,763	-	138,181,763
Leased assets	2,107,920	(1,113,316)	994,604	2,107,920	(468,427)	1,639,493
Electricity assets	5,474,071	(382,050)	5,092,021	5,474,071	(182,270)	5,291,801
Total	**515,672,469**	**(23,491,905)**	**492,180,564**	**379,837,740**	**(9,581,745)**	**370,255,995**

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Transfers received	Transfers	Work In Progress	Depreciation	Total
Land	8,949,440	-	-	-	-	-	8,949,44
Buildings	19,150,759	-	-	-	-	(913,898)	18,236,86
Plant and machinery	10,123,683	15,166,069	-	-	-	(2,152,621)	23,137,13
Furniture and fixtures	945,117	1,328,222	-	-	-	(264,409)	2,008,93
Motor vehicles	2,781,698	5,200,095	-	-	-	(479,410)	7,502,38
Office equipment	706,852	-	-	-	-	(109,420)	597,43
IT equipment	3,096,557	-	-	-	-	(727,773)	2,368,78
Community assets	42,571,154	-	-	-	-	(2,399,403)	40,171,75
Road infrastructure	136,690,464	-	53,182,006	-	-	(6,007,160)	183,865,31
Bins and containers	127,214	-	-	-	-	(11,448)	115,76
Work In Progress	138,181,763	-	-	(45,009,512)	105,967,900	-	199,140,15
Leased Assets	1,639,493	-	-	-	-	(644,889)	994,60
Electricity Assets	5,291,801	-	-	-	-	(199,780)	5,092,02
	370,255,995	**21,694,386**	**53,182,006**	**(45,009,512)**	**105,967,900**	**(13,910,211)**	**492,180,56**

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Transfers received	Additions	Depreciation	Total
Land	-	8,949,440	-	-	8,949,440
Buildings	-	19,964,503	-	(813,744)	19,150,759
Plant and machinery	-	11,088,229	-	(964,546)	10,123,683
Furniture and fixtures	-	788,595	344,771	(188,249)	945,117
Motor vehiclès	-	1,674,304	1,312,031	(204,637)	2,781,698
Office equipment	-	236,368	516,160	(45,676)	706,852
IT equipment	-	260,243	3,229,910	(393,596)	3,096,557
Community	-	23,106,576	20,674,140	(1,209,562)	42,571,154
Other property, plant and equipment	-	99,245,039	42,546,300	(5,100,875)	136,690,464
Bins and containers	-	137,376	-	(10,162)	127,214
Work in Progress	-	138,181,763	-	-	138,181,763
Other leased Assets # 1	-	-	2,107,920	(468,427)	1,639,493
Electricity	-	5,474,071	-	(182,270)	5,291,801
	-	**309,106,507**	**70,731,232**	**(9,581,744)**	**370,255,995**

Reconciliation of assets transferred

The municipality was wstablished in 2016/17 financial year, hence there was no opening balance.

Property, plant and equipment	-	174,926,950	70,731,232	138,181,763	(11,135,584)	372,704,361
- Community assets - WIP	-	590,960	-	-	-	-
- Road insfrastructure - WIP	-	137,590,803	-	-	-	-
Subtotal	-	313,108,713	70,731,232	138,181,763	(11,135,584)	372,704,361
Investment property	-	10,258,000	-	-	-	10,258,000
Intangible assets	-	-	1,099,860	-	(150,666)	949,194
	-	**323,366,713**	**71,831,092**	**138,181,763**	**(11,286,250)**	**383,911,555**

See note 29.

The total amount of R323,366,713 represents the fair value of property, plant and equipment, investment property and intangible assets as recognised in the gains from transfer of function as per note 29.

Notes to the Financial Statements

Figures in Rand	2018	2017

5. Property, plant and equipment (continued)

Revaluations

Items of property, plant and equipment were valued at fair value for 30 June 2018.

The effective date of the valuations was 1 July 2017.

The valuation was performed by an independent valuer, Wayo Consuting Engineer, who is not connected to the municipality and has experience and knowledge regarding the location and the category of assets being valued (community assets, buildings, electrical and road infrastructure assets).

The valuation was based on depreciated replacement cost.

Pledged as security

During the financial year ended 30 June 2018, no components of property, plant and equipment were pledged as security for borrowings or banking facilities.

Pledged as security

During the financial year ended 30 June 2018, no components of property, plant and equipment were pledged as security for borrowings or banking facilities.

The assets were valued as at 30 June 2018 and the land relates to parcels of land owned by the municipality.

The effective date of the valuation was 1 July 2017.

Th valuation was performed by an independent valuer who is not connected to the municipality and has exprience and knowledge regarding the location and category being valued.

The valuation was based on market values for existing use. All assumptions used to arrive at the fair values were based on current market conditions.

6. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1,099,860	(370,638)	729,222	1,099,860	(150,666)	949,194

Reconciliation of intangible assets - 2018

	Opening balance	Amortisation	Total
Computer software, other	949,194	(219,972)	729,222

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software, other	-	1,099,860	(150,666)	949,194

Notes to the Financial Statements

Figures in Rand	2018	2017

6. Intangible assets (continued)

Other information

The municipality has reviewed the useful lives, residual values and performed assessment of impairment as at 30 June 2018

7. Investment - VBS

Residual interest at cost		
Other financial asset 1	122,410,521	-
Terms and conditions		
Non-current assets		
Residual interest at cost	122,410,521	-

Notes to the Financial Statements

Figures in Rand	2018	2017

8. Employee benefit obligations

Defined benefit plan

The total amounts recognised in the statement of financial position are as follows:		
Defined benefit obligation - long service awards	3,879,266	3,642,797
Defined benefit obligation - unused leave benefits	5,230,177	3,333,118
	9,109,443	**6,975,915**

Notes to the Financial Statements

Figures in Rand	2018	2017

8. Employee benefit obligations (continued)

7.1 Long-Service award

The municipality provides long-service awards to its permanent employeesd

The municipality offers rewards specified year intervals of completed service.

In accordance with prevailing legislation, the defined benefits funds are actuarially valued at intervals of every year. The Projected Unit Credit Method has been used to value the liabilities. The latest valuation was performed as at 30 June 2018 by ARCH Actuarial Consulting.

The accumulated defined benefit obligation in respect of the long-service awards are provided, based on calculations of independent actuaries, using methods and assumptions consistent with GRAP 25 (Employee Benefits) as follows:

Long service award relate to the legal obligation to provide long service leave awards. Acturial benefits have been calculated for 171 elegible employee as at 30 June 2018 that are entitled to long service awards. The long service awards liability is not a funded arrangement. i.e no serperate assets have been set aside to meet this liability.

Summary of changes in the eligible employee profile since the last valuation	Female	Male
Number of eligible employees	76	95
Average annual earnings	R259,838	R331,484
Earnings weighted average past service	13.8	12.6
Earnings weighted average age	44.7	45.7
Eligible employees as at 30 June 2018	**171**	**155**

Long service awards for level of past service

Completed service (in years)	**Long service bonuses**	**Description**
10	4.0%	10/250 x annual earnings
15	8.0%	20/250 x annual earnings
20,25,30,35,40,45	12.0%	30/250 x annual earnings

The calculated award values are then discounted at the assumed discount interest rate to the date of calculation. We also allowed for mortality, retirements and withdrawals from service as set out in the next section of this report

The accrued liability is determined on the basis that each employee's long service benefit accrues uniformly over the working life of an employee up to the end of the interval at which the benefit becomes payable. Further it is assumed that the current policy for awarding long service awards remains unchanged in the future. Employees' LSA are based on cost-to-company, referred to in this report as "earnings

In addition, employees receive a once-off cash award upon reaching 20 years of service. This amount was set at R 7,307.80 for the year ending 30 June 2019 (i.e. unchanged since the previous year, as confirmed by the Municipality) and is assumed to increase in line with general salary inflation in future.

Movement in the Long-service award liability	**30 June 2018**	**30 June 2017**
Liability as at July	3,642,797	3,733,159
Benefits Paid	(406,648)	(522,890)
Current service cost	278,912	247,467
Interest	284,143	255,469
Actuarial losses (gains)	80,062	(70,408)
Current portion of liability	1,211,573	-
Non-current portion of liability	2,667,693	3,642,797

Figures in Rand	2018	2017

8. Employee benefit obligations (continued)

Expense recognised in Statement of Financial Performance		
current serice cost	284,143	255,469
Interest cost	278,912	247,467
Past service cost		
Actuarial losses/ (gains)	80,062	(70,408)

Past and Future Changes in the Accrued Liability

Shows the development of the Accrued Liability over the current period, and projects the Employer's Unfunded Accrued Liability and periodic costs over the two-year period following the Valuation Date

AChanges in the value of obligation	30/06/2018	30/06/2019	30/06/2020
Liability recognised in the balance sheet	3,642,797	3,879,266	3,272,804
Current service cost	278,912	330,761	358,380
Interest cost	284,143	274,350	265,301
Benefits paid	(406,648)	(1,211,573)	(194,9980
Actuarial loss/(gain)	80,062	-	-
Closing Accrued Liability	3,879,266	3,272,804	3,701,487

Valuation of Assets

As at the valuation date, the long service leave award liability of the Municipality was unfunded, i.e. no dedicated assets have been set aside to meet this liability. We therefore did not value any assets as part of our valuation.
In estimating the liability for long service leave benefits a number of assumptions are required. GRAP 25 places the responsibility on management to set these assumptions, as guided by the principles set out in GRAP 25 and in discussion with the actuary.

The assumptions should be realistic and mutually compatible. The difference between the assumptions drives the valuation and it is very important to monitor how this difference changes from one valuation to the next. The most relevant actuarial assumptions used in this valuation are discussed below.

Discount Rate

GRAP 25 defines the determination of the Discount rate assumption to be used as follows:

"The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve."

*Statement of Financial Position (herein referred to as the "balance sheet").

We use the nominal and real zero curves as at 30 June 2017 supplied by the JSE to determine our discounted rates and CPI assumptions at each relevant time period. For example, a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years. Previously only one discount rate was used to value all the liabilities.

** The Net Effective Discount Rate is different for each relevant time period of the yield curves' various durations and therefore the Net Effective Discount Rate is based on the relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Salary Inflation for each relevant time period.
Discount Rate

We have derived the underlying a discount rate of 8.35% per annum has been used. The first step in the derivation of this yield is to calculate the liability-weighted average of the yields corresponding to the actual terms until payment of long service awards, for each employee. The 8.35% is then derived as the liability-weighted average of the yields derived in the first step.

8. Employee benefit obligations (continued)

The corresponding liability-weighted index-linked yield is 2.70%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the JSE after the market close on 29 June 2018.

Demographic Assumptions

Demographic assumptions are required about the future characteristics of current employees who are eligible for LSA.

Promotional Earnings Scale

The annual inflation rates below are in addition to the General Earnings Inflation assumption of 6.01% per annum for all employees.

Age band	Additional promotional scale
20 - 24	5.0%
25 - 29	4.0%
30 - 34	3.0%
35 - 39	2.0%
40 - 44	1.0%
> 44	0.0%

Average Retirement Age

The normal retirement age of employees is 65. It has been assumed that employees will retire at age 63 on average, which then implicitly allows for expected rates of ill-health and early retirement.

Pre-retirement Mortality

SA85-90 ultimate table, adjusted down for female lives.

Withdrawal from Service

If an employee leaves, the employer's liability in respect of that employee ceases. It is therefore important not to overstate withdrawal rates.

Age	Females	Males
20	24%	16%
25	24%	16%
30	18%	12%
35	15%	10%
40	10%	8%
45	6%	6%
50	4%	4%
55	2%	2%
> 55	0%	0%

SENSITIVITY ANALYSIS

The assumptions which tend to have the greatest impact on the results are:

(i) The general salary inflation rate assumption;
(ii) The discount rate assumption;
(iii) The average retirement age of employees; and
(iv) Assumed rates of withdrawal of employees from service.

Sensitivity Results

8. Employee benefit obligations (continued)

The liability at the Valuation Date was recalculated to show the effect of:

(i) A 1% increase and decrease in the assumed general salary inflation rate;
(ii) A 1% increase and decrease in the discount rate;
(iii) A two-year decrease and increase in the assumed average retirement age of employees; and
(iv) A 50% decrease in the assumed withdrawal rates from service.

Assumption	**Change**	**Liability**	**% change**
Central assumptions		3.643	
General salary inflation	+1%	3.827	5%
	- 1%	3.473	- 5%
Discount Rate	+1%	3.462	- 5%
	- 1%	3.843	5%
Average retirement age	-2 yrs	3.135	- 14%
	+2 yrs	4.370	20%
Withdrawal rates	- 50%	4.021	10%

Long-term leave

The municipality, in recognition of services rendered, grants employees 24 working days leave per year.

This leave is cumulative up to a limit of 48 working days.

There is no discounting applied to the calculation of the provision and the salaries used in the valuation include an assumed increase on 1 July 2018 of 7.00%. The next salary increase was assumed to take place on 1 July 2019.

Movement in the leave provision	**30 June 2018**	**30 June 2017**
Liability as at July	3,333,118	2,921,512
Benefits Paid	(428,597)	(145,221)
Current service cost	334,018	270,722
Interest	207,110	165,597
Actuarial losses (gains)	(496,797)	120,509
Current portion of liability	2,281,325	1,112,368
Non-current portion of liability	2,948,852	2,220,750

Notes to the Financial Statements

Figures in Rand	2018	2017

8. Employee benefit obligations (continued)

I

Key assumptions	30 June 2018	30 June 2017
Discount rate (%)	8	8
	2	2
General salary inflation (%)	-	6
Average retirement age (Years)	63	63
	85	85
	-	-

9. Inventories

	2018	2017
Stationery and consumables	737,960	-
Consumable stores	224,511	737,946
Land inventory	-	13
	962,471	**737,959**

Consumable stores is broken down as follows:		
Consumables stores (gross cost)		822,529
Diesel stolen		(41,216)
Stock losses(stationery and consumables)		(43,367)
		737,946

The above inventory balance includes material losses for the year amounting to R84 583.

Land inventory consist of municipal land currently occupied by persons to whom the land has not been legally transferred. The land is recognised at R1 fair value each with view to apply market values upon sale or transfer of titles/ ownership.

Inventory is measured using Weighted Average Cost (WAC) method. Inventory has not be pledged as a security for liabilities.

10. Receivables from exchange transactions

	2018	2017
Consumer debtors - Refuse	5,837,749	11,070,994
Provision for impairment	(4,384,442)	(10,136,459)
	1,453,307	**934,535**

Refuse

Notes to the Financial Statements

Figures in Rand	2018	2017

10. Receivables from exchange transactions (continued)

Current (0- 30 days)	572,282	214,525
31 - 60 days	222,461	210,587
61 - 90 days	213,224	209,096
91 -120 days	207,450	208,408
121 -365 days	1,280,074	1,628,054
>365 days	2,649,481	7,907,547
	5,144,972	10,378,217
Less: Allowance for impairment	(4,384,442)	(10,136,459)
	760,530	**241,758**

Receivables from exchange transactions were recognised at their gross value and adjusted to their fair value in accordance to GRAP 106. The actual write off was done in the current year against the impairement provision raised in the 2016/17 financial year with the receivables account.

Consumer debtor - other

Current (0- 30 days)	7,936	1,514,176
31 - 60 days	9,248	1,501,914
61 - 90 days	14,376	1,497,426
91 -120 days	20,103	1,476,219
121 -365	28,190	11,374,807
>365 days	20,565,422	66,171,935
Less: Allowance for impairment	(20,276,262)	(83,167,464)
	369,013	**369,013**

Receivables from exchange transactions were recognised at their gross value and adjusted to their fair value in accordance to GRAP 106. The actual write off was done in the current year against the impairement provision raised in the 2016/17 financial year with the receivables account.

11. Receivables from non-exchange transactions

Property rates	18,145,006	18,221,193
Property rates impairment	(17,793,601)	(16,269,429)
	351,405	**1,951,764**

Ageing for rates.		Total
Current (0-30 days)	2,545,148	831,768
31-60 days	903,883	574,184
61- 90 days	838,084	505,277
91-120 days	796,412	503,188
121-365 days	5,051,139	3,872,175
> 365 days	8,010,340	11,934,601
	18,145,006	18,221,193
Less: Allowance for impairment	(17,793,601)	(16,269,429)
	351,405	**1,951,764**

Receivables from non exchange transactions were recognised at their gross value and adjusted to their fair value in accordance to GRAP 106. The actual write off was done in the current year against the impairement provision raised in the 2016/17 financial year with the receivables account..

Notes to the Financial Statements

Figures in Rand	2018	2017

12. VAT receivable

VAT	12,922,861	10,005,112

VAT is accounted on accrual basis.

13. Other debtors

Sundry debtors	113,521	113,521
License fees outstanding	468,416	401,601
	581,937	**515,122**

14. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	248,119,468	124,086,577
Investments (call accounts)	-	62,246,449
	248,119,468	**186,333,026**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2018	June 30,2017	June 30, 2016	June 30, 2018	June 30, 2017	June 30, 2016
Call Accounts - 626 4402 1933	-	20,748,811	-	-	20,748,811	-
Call Accounts - 626 4402 5620	-	41,497,637	-	-	41,497,637	-
Current Account - 62632407020	248,119,468	124,086,577	-	248,119,468	124,086,577	-
Total	**248,119,468**	**186,333,025**	**-**	**248,119,468**	**186,333,025**	**-**

15. Finance lease obligation

Present value of minimum lease payments due

- within one year	150,273	214,673
- in second to fifth year inclusive	175,318	644,019
	325,591	**858,692**

Non-current liabilities	325,591	212,438
Current liabilities	489,622	602,775
	815,213	**815,213**

Municipality has leased photocopier machines for a non-renewable period of 36 month. The lease agreement provides for monthly payments of R53 668.21 with no escalation.

16. Unspent conditional grants and receipts

The grants are made up as follows:

Notes to the Financial Statements

Figures in Rand	2018	2017

16. Unspent conditional grants and receipts (continued)

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Local Government Finance Management Grant	-	679,407
Municipal Infrastructure Grant	16,085,354	28,597,914
Municipal Demarcation Transitional Grant	7,833,167	9,661,969
Intergrated National Electricity Programme	4,991,240	-
	28,909,761	**38,939,290**

17. Trade and other Payables

Trade payables	7,825,590	1,183,870
Payments received in advance from customers	417,544	341,570
Accrued bonus - 13th cheque	1,513,211	1,134,798
Accrued expense	4,738,328	230,552
Retention	17,876,135	6,165,133
Other creditors #2	1,735,037	1,757,129
	34,105,845	**10,813,052**

18. Payables from non - exchange transactions

Inter - Municipal debt	-	696,769

19. Total revenue

Rendering of services	962,251	209,063
Service charges	3,048,593	14,617,120
Agency services	1,872,904	-
Licences and permits	4,861,170	5,168,581
Fees earned	1,827,606	942,668
Rental income	59,301	66,149
Interests on outstanding debtors	-	5,562,723
Interest received - investment	12,508,136	5,461,172
Property rates	15,931,110	7,165,474
Government grants & subsidies	429,396,529	290,103,407
	470,467,600	**329,296,357**

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	3,048,593	14,617,120
Rendering of services	962,251	209,063
Agency services	1,872,904	-
Licences and permits	4,861,170	5,168,581
Fees earned	1,827,606	942,668
Rental income	59,301	66,149
Interest on outstanding debtors	-	5,562,723
Interest received - investment	12,508,136	5,461,172
	25,139,961	**32,027,476**

Notes to the Financial Statements

Figures in Rand	2018	2017

19. Total revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	15,931,110	7,165,474
Transfer revenue		
Government grants & subsidies	429,396,529	290,103,407
	445,327,639	**297,268,881**

20. Service charges

Service charges	3,048,593	14,617,120

21. Other revenue

Fees earned	1,827,606	942,668
Rental income - third party	59,301	66,149
Interest on outstanding debtors	-	5,562,723
	1,886,907	**6,571,540**

The municiapl council passed the resolution not to charge interest on outstanding debtors for the year under review.

22. Investment revenue

Interest revenue		
Interest from VBS Fixed deposit 10099560002	2,410,521	-
Interest on investment	5,252,033	5,461,172
Interest on FNB Call 62644021933	1,079,578	-
Interest on FNB Call 626440256520	2,166,984	-
Interest earned from FNB FIXED 80256/80286	1,599,020	-
	12,508,136	**5,461,172**

23. Property rates

Rates received

Residential	11,539,177	7,513,424
Commercial	4,391,933	(347,950)
	15,931,110	**7,165,474**

The municipality compiled and adopted a general valuation roll, which came into effeect from 1 July 2017. The new valuation roll was compiled by Mod Hope in terms of Municipal Property Rates Act.

Figures in Rand	2018	2017

24. Government grants and subsidies

Operating grants		
Equitable share	304,695,000	206,039,000
Financial Management Grant	3,024,407	1,330,593
EPWP	1,000,000	-
	308,719,407	**207,369,593**
Capital grants		
Municipal Infrastructure Grant	95,992,560	72,252,783
Municipal Dermacation Transition Grant	8,675,802	10,481,031
Integrated National Electrification Program Grant	16,008,760	-
	120,677,122	**82,733,814**
	429,396,529	**290,103,407**

Equitable Share

In terms of the constitution, this grant is used to subsidise the provision of basic services to indigent community members.
All registered indigents receive a monthly subsidy which is funded from the grant. The municipality has developed and implemented the indigent policy as billing services were rendere by the local municipalities

Finance Management Grant (FMG)

Balance unspent at beginning of year	679,407	-
Current-year receipts	2,345,000	2,010,000
Conditions met - transferred to revenue	(3,024,407)	(1,330,593)
	-	**679,407**

Conditions still to be met - remain liabilities (see note 16).

This grant was used to promote and support reforms to municipal financial management and implementation of MFMA,2003.The conditions of the grant were met. No funds have been withheld.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	28,597,914	-
Current-year receipts	83,480,000	12,673,697
	-	88,177,000
Conditions met - transferred to revenue	(95,992,560)	(72,252,783)
	16,085,354	**28,597,914**

Conditions still to be met - remain liabilities (see note 12).

This grant was used to construct Municipal Infrastructure to provide basic services for the benefit of communities.

Municipal Dermacation Transition Grant (MDTG)

Balance unspent at beginning of year	9,661,969	-
Current-year receipts	6,847,000	20,143,000
Conditions met - transferred to revenue	(8,675,802)	(10,481,031)
	7,833,167	**9,661,969**

Conditions still to be met - remain liabilities (see note 16).

Figures in Rand	2018	2017

24. Government grants and subsidies (continued)

The grant was used to subsidise the additional institutional and administrative costs arising from major boundary changes due to come into effect at the time of the 2016 local government elections

Integrated National Electrification Programme

Current-year receipts	21,000,000	-
Conditions met - transferred to revenue	(16,008,760)	-
	4,991,240	-

The condition of the grant was fully met. (See note 16). The grant is meant for electrification projects.

Extended Public Works Program

Current-year receipts	1,000,000	-
Conditions met - transferred to revenue	(1,000,000)	-
	-	-

The condition of the grant was fully met. (see note 16). The grant is use to create temporarily work for unemployed people.

Notes to the Financial Statements

Figures in Rand	2018	2017

25. Employee related costs

Basic	43,900,358	25,882,638
Cellphone allowance	58,016	65,890
Bonus	2,965,368	1,060,027
Medical aid - company contributions	1,793,758	-
UIF	415,538	209,584
Other payroll levies	11,067	304,463
Other short term costs	-	69,885
Defined contribution plans	-	1,382,225
Overtime payments	1,983,640	756,021
Long-service awards	236,469	66,495
Car allowance	2,482,101	961,194
Housing benefits and allowances	77,458	48,004
Pension fund contribution	7,939,352	4,293,187
Termination benefits	1,897,059	794,956
	63,760,184	**35,894,569**

Remuneration of municipal manager

Annual Remuneration	823,237	98,340
Car Allowance	267,202	-
Contributions to UIF, Medical and Pension Funds	-	297
Acting Allowance	-	111,115
	1,090,439	**209,752**

The municipal manager was appointed in May 2017.

Remuneration of chief finance officer

Annual Remuneration	704,031	-
Car Allowance	202,153	-
Acting Allowance	-	81,059
	906,184	**81,059**

The Chief Financial Officer was appointed a from 1 July 2017.

Remuneration of Senior Manager - Corporate Services

Annual Remuneration	661,986	35,432
Car Allowance	197,000	-
Performance Bonuses	47,197	-
Contributions to UIF, Medical and Pension Funds	-	149
Acting allowance	-	66,763
Travel and other allowance	-	16,363
	906,183	**118,707**

The Senior Manager of Corporate service was appointed on the 1 July 2017.

Remuneration of Senior Manager - Planning and Development

Annual Remuneration	250,117	-
Car Allowance	100,000	-
Acting allowance	19,250	83,705
	369,367	**83,705**

Notes to the Financial Statements

Figures in Rand	2018	2017

25. Employee related costs (continued)

The Senior Manager of planning and development was appointed on the 1 February 2018.

Remuneration of Senior Manager - Technical service

	2018	2017
Annual Remuneration	750,184	-
Car Allowance	156,000	-
Acting allowance	25,341	-
	931,525	**-**

The Senior Manager of Technical service was appointed on the 1 July 2017.

Remuneration of Senior Manager - Community service

	2018	2017
Annual Remuneration	340,374	-
Car Allowance	109,714	-
Performance Bonuses	23,599	-
	473,687	**-**

The Senior Manager of community services was appointed on the 1 December 2017.

26. Remuneration of councillors

	2018	2017
Mayor	841,813	683,861
Chief Whip	642,602	-
Speaker	682,392	436,780
Remuneration and allowances for other councillors	22,560,346	19,129,758
	24,727,153	**20,250,399**

27. Depreciation and amortisation

	2018	2017
Property, plant and equipment	13,910,159	9,581,744
Amortisation of assets	219,972	150,666
	14,130,131	**9,732,410**

28. Suppliers and other payments

During the period under review, the municipality did not enter in any debt arrangement..

29. Debt impairment

	2018	2017
Debt impairment	15,073,358	29,248,156

During the year, the Municipalicity wrote off the debtors balances with an amount R80 325 795 as a fair value adjustment of debtors take on balances 10/08/2016 in line with Grap 106 on transfer of functions between entities not under common control.

30. Contracted services

Outsourced Services

	2018	2017
Security Services	3,086,843	2,511,180